

Office of City Auditor

Management of the City's Surplus Computer Equipment

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Making Strategic Use of Surplus Computers -- Executive Summary

We examined how the City disposes of its surplus computer equipment to determine whether the City (1) is making the best¹ use of surplus computer equipment; and (2) has adequate controls², both financial and managerial, over the processes by which it disposes of surplus computer equipment.

The number of computers the City declares surplus has been steadily increasing, from 236 (Central Processing Units or CPUs) in 1994 to 640 in 1996. This rate will probably increase to between 1,500-2,000 annually as the total number of computer users in the City continues to rise and as the City strives to standardize and rationalize its process for computer purchasing and updating. To date, the City has relied on an informal surplus operation that has put a premium on quickly getting old computer equipment out of departments and which has placed little emphasis on management processes. Considering the number of computers the City has declared surplus to date, this may have been appropriate. However, as the number of computers the City designates as surplus will continue to increase, as will the quality of those computers, the City should now take steps to improve its surplus operations.

Although the City is seeking to increase the number of employees using computers in their work, the City has only recently adopted a formal standard on what equipment is still appropriate for City use. The City has no formal process for determining departmental needs for surplus computers nor a City official whose task is to find a “good home” for this equipment. The City might find greater value from its surplus computer equipment if more of an emphasis was placed on finding “good homes” with other departments, other governmental entities or certain private, non-profit organizations.

The City can and is improving its controls over the disposition of surplus computer equipment. Our review of 30 City Light transactions found inconsistencies in City Light’s records for 25 of them and that there have been opportunities for computers to be misappropriated without detection by the City’s management systems. City Light has taken steps to improve its processes to ensure that it can account for all computers and has plans for further improvements. We also found that the Citywide policy and procedures for disposing of surplus items were badly out-of-date. The Executive Services Department recently revised and updated this policy. However, most departments still have internal policies and procedures which are generally either out-of-date or non-existent. Finally, the Executive Services Department could better manage its surplus operations if it collected, maintained and reviewed key operational data.

We believe that by adopting some inexpensive management improvements, the City of Seattle could significantly increase the value it realizes from surplus computer equipment. These improvements include

- collecting and using management data to support appropriate management controls over the disposition of surplus equipment; and
- instituting an active role for the Chief Technology Officer in finding appropriate uses for the City’s surplus computer equipment.

¹ within all the typical constraints of City government, including time, available staffing, cost and legal limitations.

² Control refers to those elements of an organization (including its resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of the organization’s objectives.

Chapter 1

Introduction

Purpose

Each year Seattle City departments determine that hundreds of older computers no longer meet department needs and declare them surplus property.³ In response to City Council concerns and as a natural spin-off of our 1996 review of the City's technology expenditures,⁴ we examined how the City disposes of its surplus computer equipment to determine whether the City:

- is making the best⁵ use of surplus computer equipment; and
- has adequate controls, both financial and managerial, over the processes by which it disposes of surplus computer equipment.

Scope And Methodology

In performing our work we:

- reviewed Citywide and departmental policies and procedures regarding surplus property, as well as pertinent State and City laws;
- discussed legal restrictions on disposing of surplus property with attorneys from the City's Law Department;
- interviewed officials of the Executive Services Department, the department responsible for disposing of surplus City equipment, and of City Light, one of the leading purchasers of computer hardware in recent years,⁶ and discussed with them their departments' surplus policies and procedures and the results of our compliance testing;
- obtained and reviewed records and other documentation in the Executive Services Department and City Light, and visited the warehouse in which Warehousing Services stores and sells surplus City property;⁷
- reviewed warehouse files to determine the total amount and types of computer equipment officially declared surplus by City departments between January 1994 and May 12, 1997;⁸

³ In this report, the term property does not refer to land or buildings (i.e., real property).

⁴ Office of City Auditor, September 11, 1996, Information Technology: Dollars and Challenges.

⁵ within all the typical constraints of City government, including time, available staffing, cost and legal limitations.

⁶ For computer hardware expenditures by City departments, see p. 7 of our September 11, 1996 report, Information Technology: Dollars and Challenges.

⁷ For this review we did not test or examine the cash handling operations at the surplus property warehouse; however, we issued a November 4, 1997 letter to the Director of the Executive Services Department on the warehouse's cash handling practices.

⁸ Our search of Warehousing Services records did not identify surplus computer equipment that departments disposed of through means other than the official process managed by the Executive Services Department.

- contacted officials from 15 City agencies⁹ to determine which departments had written procedures for handling surplus items;
- discussed surplus computer equipment issues with officials from the Microsoft Corporation, the Boeing Company, the City of Bellevue, King County, and the Washington State Department of General Administration; and
- randomly selected and reviewed thirty 1996 City Light surplus computer equipment transactions and corresponding Executive Services Department records for compliance with policies and procedures governing the disposal of surplus property.

We selected City Light for this compliance testing because:

- City Light's expenditures for computer hardware in recent years were higher than most other City departments; and,
- during our 1996 review of the City's technology expenditures, we learned that City Light had not followed City policies and procedures when City Light transferred excess computers directly to the Department of Parks and Recreation rather than to the Executive Services Department for disposition.

During this audit, we identified several legal issues related to the transfer of surplus City property that we have referred to the Law Department.

We performed our audit work between January and September 1997 in accordance with generally accepted government auditing standards.

Increasing Number of Computers Declared Surplus

Between January 1994 and May 1997, City departments declared over 3,200 pieces of computer equipment (computers, monitors, and printers) surplus to their needs. The City sold about 56 percent as individual items in operable condition,¹⁰ about 90 percent of which went for under \$200. Addendum A provides details on the range of revenue the Executive Services Department earned from the sale of various types of surplus personal computers between 1994 and May 1997. The amount of equipment that the City declares surplus has increased each year since 1994. For example, the number of surplus computers (CPUs) has jumped from 236 in 1994 to 640 in 1996. Figure 2 provides further information on the types of computer equipment the City has declared surplus and sold in operable condition between 1994 and May 12, 1997.¹¹

⁹ Seattle Public Library, Seattle Police Department, Department of Construction and Land Use, Department of Parks and Recreation, Department of Housing and Human Services, Office of Management and Planning, Executive Services Department, Municipal Court, Department of Neighborhoods, Law Department, Legislative Department, Seattle Fire Department, City Light, Seattle Center, Seattle Public Utilities.

¹⁰ Items not offered for sale as individual items are inoperable, damaged or missing key parts. They go onto wooden pallets for batch sale with other items.

¹¹ We could not include information on the amount of surplus computer equipment sold on pallets because the Executive Services Department does not compile such data.

Figure 2: City Computer Equipment Declared Surplus and Sold (1994 to May 1997)

	CPUs	Printers	Monitors	All Computer Equipment
Declared Surplus	1456	493	1327	3276
Sold In Operable Condition	939	232	678	1849
% Sold of Declared Surplus	64%	47%	51%	56%

Addendum B provides further details on the types of computer equipment City departments declared surplus from 1994 to May 1997.

The Current Disposal Process

To discard surplus property,¹² City policies and procedures call for a department's surplus coordinator to sign a Surplus Property Release form and send the form to the Executive Services Department. The Department's Warehousing Services Section then disposes of the surplus property.¹³ All disposal of the City's surplus computer equipment is to be conducted by Warehousing Services, and no department is supposed to conduct its own disposals or transfers of such equipment unless it receives authorization from Warehousing Services.

Formed in 1994, the Warehousing Services Section administers the City's surplus program and provides several other services to City departments.¹⁴ Warehousing Services assigns three of its seven full-time employees to the disposing of surplus property and spent about \$190,000 of its 1996 \$450,000 program budget¹⁵ on surplus operations. The Section maintains a warehouse for storing and selling surplus City property.¹⁶

Upon receiving a department's Surplus Property Release form, Warehousing Services starts the process of disposing of the item.¹⁷ Although Warehousing Services at this stage can authorize the department to destroy or dispose of the item itself, Warehousing Services personnel said they always pick up surplus computer equipment and transport it to the warehouse. At the warehouse, staff log the equipment into Warehousing Services' inventory system, determine its condition, ensure that no inappropriate information or software is left on any computer's hard drive, and

¹² The term, "surplus property" refers to supplies, materials, or equipment which departments have but no longer need.

¹³ See Seattle Municipal Code, Subchapter 3.18.824.

¹⁴ In addition to providing surplus services, the Warehousing Services Section provides delivery services; purchases, stores and distributes recycled paper; and offers short-term storage services. It also recently assumed the City's record storage function.

¹⁵ In 1996 Warehousing Services' total operating budget was about \$1.2 million; however, this figure included \$750,000 in budget authority for purchasing recycled paper for sale to City departments.

¹⁶ The warehouse is located at 2029 15th Avenue West and is open for sales to the public Monday through Friday 8:30 a.m. to 4:30 p.m.

¹⁷ On June 28, 1996, Contracting Services Division of the Executive Services Department established a performance measure for the surplus activities of the Warehousing Services Section that specified a goal of removing 100 percent of transportable, routine surplus property within one week of a formal surplus request by a City department. As of September 1997, Warehousing Services had not yet begun to record the time required for the pick up of surplus items. Before the end of 1997, Warehousing Services plans to begin compiling this data.

assign a fair market value reflecting prevailing market conditions and the equipment's age and condition. In determining the fair market value of surplus items, Warehousing Services officials said they discuss the item's value with the originating agency and consider the price of similar used computer equipment offered for sale in newspapers, magazines and local retail businesses.

In disposing of surplus computer equipment, Warehousing Services follows a multi-stage process. Initially, for operable computer equipment, it generally reserves the items for two weeks for sale to either 1) other City departments, 2) non-profit organizations recognized by the City, or 3) other government entities (local, state or federal). The first to pay the designated fair market price receives the item. Warehousing Services officials said that typically, if surplus computer equipment does not sell within two weeks, Warehousing Services offers it to the public at the same price¹⁸ until -- generally after many weeks -- they run out of shelf space. At that time, they place the item on a wooden pallet with other pieces of computer equipment and offer the entire pallet load at one reduced price. Warehousing Services officials stated that computer equipment that is placed on pallets is supposed to consist primarily of miscellaneous parts and broken or very old items. Operable computer equipment only goes on a pallet if it has not been sold after being on sale for many weeks. When there is no space in the warehouse for the pallet because of new inventory, Warehousing Services offers the pallet's contents at no charge to anyone who will haul it away. If no one accepts this offer, Warehousing Services places the items in the garbage. However, Executive Services Department officials said that this never happens with computer equipment because someone either has bought the item or is (for example, a scrap dealer) willing to haul it away for no charge.

Disposal Revenues

In 1996 Warehousing Services generated \$429,148 in revenue through sales of surplus items to City departments and external private and public parties. As Figure 1 shows, the category of computer equipment contributed \$83,327 or 19 percent of this total.

Figure 1: 1996 Revenue from Sale of Surplus Items

Commodity	Sales Revenue	% of Total Sales
Computer Equipment	\$83,327	19%
Furniture & Miscellaneous Items	\$43,269	10%
Radios	\$28,901	7%
Vehicles	\$144,949	34%
Miscellaneous Equipment	\$38,639	9%
Water Department Scrap	\$90,063	21%
Total	\$429,148	100%

Source: Executive Services Department

In 1996, external parties bought 82 percent (\$68,420) of the surplus computer equipment which Warehousing Services sold, and City departments purchased the remaining 18 percent (\$14,907). A Warehousing Services official stated that non-profit organizations generally did not purchase

¹⁸ We could not verify this practice because Warehousing Services does not maintain records that indicate when surplus items are made available for sale to the public.

computer equipment from the warehouse, because non-profits rely mostly on donations of computers. We were unable to verify this because Warehousing Services did not have reliable records on the amount of computer equipment sold to non-profit organizations.

To cover its costs, Warehousing Services retains part of the revenue it earns through the sale of surplus computer hardware and returns the remainder to the department that supplied the surplus computer equipment.¹⁹ If a department receives funding from the City's General Fund, the revenue goes in a General Fund revenue account. A rate-funded municipal utility, such as City Light, however, keeps this revenue in its own revenue fund.

From its inception, Warehousing Services has charged City departments for the services it provides in disposing of their surplus property. In March 1997, Warehousing Services revised its rates for disposing of surplus items. Under the new policy, Warehousing Services retains 60 percent of the revenues earned from the sale of surplus computer equipment while different percentages are withheld for other types of commodities that are sold as surplus. Previously, Warehousing Services retained (1) all revenues from all surplus property with an estimated value of \$1,000 or less, and (2) from one to 10 percent of revenues from all surplus property estimated to be worth more than \$1,000.

¹⁹ In 1996 Warehousing Services retained about 30 percent of the revenues it received from selling all types of surplus property.

Chapter 2

The City Should Enhance The Way It Disposes Of Surplus Computer Equipment

The City of Seattle should enhance the way it disposes of surplus computer equipment. The City's current emphasis with surplus computers is on rapid removal from the department that no longer needs the equipment. The City might find greater value from its surplus computer equipment if more of an emphasis was placed on finding the computers "good homes" with other departments, other governmental entities or certain private, non-profit organizations.

Current Emphasis on Rapid Removal

The City's surplus property program has focused primarily on rapidly removing pieces of surplus computer equipment from the City departments that no longer need them and then selling them at prices which cover the costs of the disposition process. When the City created the Warehousing Services Section in 1994, the major concern of City departments in regard to surplus property was its speedy removal from their premises. It is understandable, therefore, that moving surplus items out of department facilities as rapidly as possible is the primary focus of Warehousing Services' disposal operations. Indeed, speedy surplus removal, along with the amount of revenues generated from surplus sales, is the means by which the Executive Services Department judges Warehousing Services' operations. It is possible, however, that placing increased emphasis on transferring the equipment to City departments, other governmental entities or certain private, non-profit organizations that still could effectively use it might better serve the City's interests and objectives.

Increased Emphasis On Placing Surplus Computers in Other Departments Is Warranted

Although the City is seeking to increase the number of employees using computers in their work, its process for identifying and using surplus computer equipment toward this end has been rather "hit-or-miss." The City has only recently adopted a formal standard on what equipment is still appropriate for City use but has no formal process for determining departmental needs for surplus computer equipment nor a City official whose task is to find a "good home" for this equipment. Furthermore, it is currently not clear under which conditions, if any, non-cash transfers of surplus computer equipment between departments might be permissible.

The City is Seeking to Increase Employee Use of Computers.

Increasing employee use of modern technology reduces the costs and enhances the quality of government services. Ideally, all City employees who could benefit from a computer would have such technology at their disposal. According to the City's former Chief Technology Officer, this is not the case today. He said that some City employees could benefit from the types of computer equipment that no longer meet the needs of other City departments.

Formal Guidance on the Kinds of Surplus Computer Equipment Appropriate to City Uses Is Important.

In May 1997, the City's Technology Officer issued the first Citywide personal computer hardware standard. The standard states that City departments should only buy personal computer hardware equal to or above the Pentium level. Computers below the "486/66" level cannot efficiently operate in the City's current LAN²⁰/software environment. Before the establishment of the hardware standard, Warehousing Services personnel had to rely on informal requests from departments to determine which surplus computer equipment was still of potential use to the City. According to the Executive Services Department, Warehousing Services has transferred all operable, surplus computer hardware that can operate efficiently in the City's current LAN/software environment to City departments. Over the last three years, City departments declared 47 "486" computers surplus and, according to the Executive Services Department, about 24 of them, all at the 486/66 level and operable, were placed with other City departments.

Formal Process for Determining What Surplus Computer Equipment City Departments Could Use Is Needed.

The Director of the Executive Services Department told us that the City has never conducted a survey to determine the number of City employees that still need computer equipment and the departments where those employees work. Instead Warehousing Services relies on informal departmental requests (wish lists) and visits from departmental officials trying to find surplus computer equipment of use to their departments. According to a Microsoft official, Microsoft has a more formal system whereby departments use the company's computerized internal mail system and Intranet web site to request surplus computer equipment.

Official With Responsibility for "Finding a Good Home" Within the City for Surplus Computer Equipment Is Needed.

No City office or official has formal responsibility for finding suitable "homes" for surplus computer equipment. In July 1997, an individual in the Technology Division of the Executive Services Department facilitated the transfer of surplus computer equipment to the Fire Department and the Office for Civil Rights. The official stated that this task was a temporary one resulting from commitments the City's former Chief Technology Officer had made to those

²⁰ Local Area Network

departments. The official expressed concern about having to continue this duty because it was difficult for one person to be aware of all the computer needs within the City and to make the best and fairest choice of which department had the best claim to surplus items.

Available Computer Equipment to City Departments Advertised in an Inconsistent and Limited Way.

Warehousing Services officials said they advertise available surplus property through several channels. To alert City departments of available items, they send e-mail messages or flyers to the surplus coordinators in each department. Warehousing Services officials stated that their goal is to send out these messages at least once a month, but that this is not always possible.

Warehousing Services officials did not maintain complete records of the e-mail messages or flyers they sent to City departments, and, therefore, we could not determine the frequency of these notices. In addition, surplus coordinators may not be well informed about their departments' computer equipment needs. Most departments have other individuals who are responsible for their computer systems. If the surplus coordinators do not promptly pass the information they receive from Warehousing Services to the computer experts within their departments, the information is likely to be of little use. In addition, according to the former Chief Technology Officer, employees who lack computers often lack access to information about available surplus computers. To compensate for these advertising gaps, the City's former Chief Technology Officer said that he requested periodic Warehousing Services reports on available surplus computer equipment to try to steer computers to departments that could utilize used equipment.

To improve its advertising, Warehousing Services has recently begun, on a trial basis, to provide descriptions of the types and average prices of available surplus computer equipment to City departments through the City's internal computer network.²¹ This internal web site could provide for better advertising of available surplus items within the City if Warehousing Services devotes sufficient resources to keep it up-to-date. Warehousing Services, however, will still need to find a way to promptly and consistently get this information to those parts of City government that lack computers and the software needed to reach the web site. However, this gap will decrease with the passing of time as more City employees obtain the computer equipment and software needed to access Warehousing Services' web site.

Priority For City Departments Over Other Governments or Non-Profit Agencies May Be Desirable.

Until recently, Warehousing Services disposed of surplus computer equipment through a "first come, first served" process open simultaneously to City departments, non-profit organizations

²¹ This local area network is known as the InWeb.

recognized by the City, and other governmental agencies. This process gave no formal priority to City departments. Warehousing Services staff, however, told us they often informally set aside the best surplus computer equipment for City departments.

Certain Non-Cash Transfers Between City Departments May Be Possible.

It may be beneficial for Executive Services Department staff to work with the Law Department to determine the circumstances under which non-cash transfers of surplus computer equipment from one City department to another are possible and the procedures to be followed in such cases. For example, in some situations the recipient might provide services or other benefits to the City in return for surplus computer equipment.

The City May Want Increased Emphasis on Selling Surplus Computer Equipment to Other Government or Private, Non-Profit Agencies.

Warehousing Services has advertised surplus computer equipment to other government or non-profit agencies in a “hit or miss” manner.

A More Systematic Approach to Advertising Surplus Computer Equipment to Other Governments or Non-Profit Agencies Is Warranted.

To inform other governmental bodies, Warehousing Services has used a mailing list supplied by the Municipal Research and Services Center, as well as the Association of Washington Cities electronic bulletin board and monthly newsletter. Warehousing Services officials did not maintain records of the advertisements they forwarded through the Municipal Research and Services Center or the Association of Washington Cities, and therefore, we could not determine how often they sent out such advertisements.

Warehousing Services officials generally expect non-profit organizations to use their own initiative to keep informed about newly arrived surplus but will occasionally telephone a non-profit organization if surplus items arrive for which the non-profit has been asking. Warehousing Services also places ads in the King County Local Hazardous Waste Management Program’s Industrial Materials Exchange (IMEX) Materials Listings Catalog (free to anyone who requests it).

Warehousing Services also has a public web site on the Internet. This web site provides basic information about the sale of surplus property to the public, including the address of the warehouse, its hours of operation and acceptable payment methods. It does not presently provide information about availability of specific types of surplus property such as computer equipment, but it certainly has the potential to do so if Warehousing Services devoted sufficient resources to keep this information up to date.

Recommendations Regarding Using Surplus Computers More Strategically

We do not believe that finding the best homes for surplus computer equipment requires extensive application of scarce resources. Rather, we believe that the following series of inexpensive steps, representing rudimentary good management practices, would have a significant impact.

- The Chief Technology Officer should review and, as needed, update the City's computer hardware standard at least annually so that Warehousing Services has an up-to-date basis for determining what surplus computer equipment is still useful to City departments.
- Warehousing Services should design a form whereby City departments can periodically inform both Warehousing Services and the Chief Technology Officer of their needs for surplus computer equipment.
- The Executive Services Department should assign the Chief Technology Officer formal responsibility for "finding a good home" within City government for surplus computer equipment that meets the City's hardware standard. The Chief Technology Officer should also ensure that such equipment is not made available for sale to non-City entities until he or she confirms that there is not a more advantageous use of the equipment.
- The Executive Services Department should require Warehousing Services to inform the Chief Technology Officer immediately whenever a department declares computer equipment surplus. The Chief Technology Officer can then use this information to oversee a "match making" process whereby departments obtain surplus equipment they need. The City should also require departments to periodically make their computer technology needs known to the Chief Technology Officer so that he or she can perform this "match making" service.
- Warehousing Services should frequently and regularly e-mail notices of available surplus computer equipment meeting the City's hardware standard to a pre-established mailing list that includes the Chief Technology Officer and both the surplus property coordinators and computer procurement/network administrators of City agencies. By using the City's e-mail system, the City could establish a "real time" surplus disposal service in which surplus computers in good working condition could pass directly from one department to another without having to go to Warehousing Services.²²
- Warehousing Services should continue to use its internal City InWeb site to provide a readily available general description of the types and prices of available surplus computer equipment meeting the City's hardware standard. In addition, the Executive Services Department should allocate sufficient resources to permit Warehousing Services to keep the web site up-to-date and should establish guidelines for the frequency with which Warehousing Services updates the information on surplus computer equipment on its web site.
- After City agencies have had an opportunity to obtain surplus computer equipment which Warehousing Services has advertised internally to City departments, Warehousing Services

²² Under such a scenario, any inappropriate information or software would need to be cleaned off the hard drive of a computer being transferred from one department to another.

should frequently and regularly e-mail notices of available surplus computer equipment to a pre-established mailing list of other governments and non-profit agencies. Warehousing Services should expand its Internet web site to provide a regularly updated general description of the types and prices of available surplus computer equipment.

- The City Council and the Executive Services Department should consider exploring with the Law Department the circumstances under which non-cash transfers of surplus computer equipment could occur within the City, to other governmental bodies (for example, the Seattle School District), and to private non-profit organizations that serve the City's needs. In this regard, consideration should be given to the services or other benefits that may be exchanged for surplus computer equipment. If such non-cash transfers were possible, the Executive Services Department, in measuring Warehousing Services' disposal achievements and comparing them to disposal costs, should develop a method to credit Warehousing Services for the value of any equipment it transfers on a non-cash basis.

Chapter 3

City Light Is Improving Its Controls Over Computer Equipment

The City needs to improve its controls²³ over the disposition of surplus computer equipment. Our review of City Light transactions found that it donated surplus computer equipment directly to other City departments and also loaned surplus computer equipment to a City department and a School District. Furthermore, neither the Executive Services Department nor City Light could find the appropriate records for certain surplus transactions we tested, and City Light had inconsistent records for others. However, before and during our audit, City Light took steps to improve its controls, and it has plans for further improvements.

City Light Donated Computers Directly to Other City Departments

In 1996 City Light gave computer hardware worth approximately \$2,000 to the City's Public Access Network (PAN) and to the Executive Services Department's Fleet Services Division.²⁴ Warehousing Services officials stated that they were not aware of either transaction until we brought the transactions to their attention. The officials said they would not have approved these transactions because the items should have been sold through the normal City surplus process. Subsequently, as a result of our inquiry, PAN and Fleet Services returned all but one of the computers donated by City Light to Warehousing Services because the computers either lacked sufficient capabilities or were not needed. Fleet Services decided to keep one of the computers and paid for it. However, while City Light surplus records compiled for the transaction indicated that 10 computers had been donated, PAN and Fleet Services officials said that only eight computers had been provided. City Light decided to categorize the two unaccounted for computers as lost and designated the seven returned computers as surplus property that Warehousing Services should dispose of. This matter took over a year to resolve during which time most of the computers were lying idle.

Through discussions with City Light officials, we also learned of two other unauthorized transactions. In the first half of 1996, City Light gave surplus computer equipment to the Seattle Fire Department and the Department of Parks and Recreation without working through Warehousing Services or obtaining payment from the departments. The Executive Services Department subsequently learned about the two transactions and notified the two departments that they must pay for the equipment. The Executive Services Department obtained payment of \$3,000 from Parks and Recreation and \$2,200 from the Fire Department, keeping \$520 for its then-standard surplus fee of 10 percent and issuing a credit to City Light for \$4,680.

²³ Control refers to those elements of an organization (including its resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of the organization's objectives.

²⁴ At the time of the transaction, the Fleet Services Division was part of the Department of Administrative Services.

City Light officials said they recognize they erred by not processing their surplus computer hardware through Warehousing Services.

City Light Loaned Surplus Computer Equipment to School District and City Department

City Light officials stated that they had loaned surplus computer equipment worth about \$5,200 to the Skagit Valley School District. A City Light official said the School District would keep the equipment until the District could obtain funding to replace it. The official also said that City Light had loaned computer equipment to a City General Fund department. We referred these transactions to the Law Department for analysis.

Executive Services Department Had No Records for Some City Light Computer Equipment Disposals

During our testing of 30 transactions, we found four instances in which the Executive Services Department's Warehousing Services Section had no record that they had received computer equipment which some City Light records indicated City Light had declared surplus. Officials of both City Light and Warehousing Services said that they could find no documents in their files indicating that City Light had formally notified Warehousing Services that these items were surplus.

According to City Light officials, these cases involved computer equipment which City Light declared surplus during the period from November 1995 through January 1996 when City Light headquarters was moving into the Key Tower building. The City Light officials said that, during the hectic pace of the move to Key Tower, City Light was declaring large amounts of computer equipment surplus and bringing in new replacement equipment. The officials said the four transactions involved older equipment, specifically, two monitors, a printer used for parts, and a terminal.²⁵ The officials said it was possible that City Light did not prepare proper documentation for the four items during the move. It is also possible that this equipment was stolen. Due to the lack of documentation, we were unable to determine whether the equipment was stolen or processed as surplus property.

²⁵ According to City Light and Executive Services Department officials, terminals were of such low value that the Executive Services Department did not want them shipped to its surplus warehouse; instead, the Executive Services Department authorized City Light to dispose of them directly.

Inconsistent Internal City Light Records for Surplus Computer Equipment Disposals

Our testing of 30 surplus transactions revealed inconsistencies between 1) City Light's accounting system for fixed assets,²⁶ 2) its surplus equipment records, and 3) its physical inventory records for computer hardware. For these 30 transactions:

In five cases, City Light could completely account for the transactions. That is, we were able to locate the fixed asset, surplus equipment, and physical inventory records and confirm that they were consistent with one another. In three other cases, City Light could not trace the surplus or the physical inventory records to the fixed asset system because it lacked the internal identification numbers needed to link them to the fixed asset system.

In 22 cases, our testing indicated that the three sets of City Light records were not consistent with one another, for instance:

- City Light's fixed asset system still included equipment which City Light's surplus equipment records showed City Light had declared surplus. The City-wide standard operating procedure for surplus property requires removing equipment from a department's fixed asset reporting system as soon as the department declares the item surplus.²⁷ If the fixed asset report contains computers the City no longer owns, the City could end up paying for insurance coverage and licensing fees for software it does not have or need.
- City Light's fixed asset system did not include items that were still in the department's physical inventory. If the fixed asset report does not list all the computers the City owns, the City will not have adequate insurance coverage.
- City Light's fixed asset system did not include computer equipment at the time City Light declared the equipment surplus. Citywide procedures require departments to list all computer acquisitions exceeding \$1,000 in the department's fixed asset report. Failing to record new purchases in the fixed asset system deprives a department of a baseline with which to make comparisons to physical inventories. This, in turn, leaves the department without a means of detecting losses from theft so as to take corrective actions and to submit claims under its computer insurance policy. Indeed, without an accurate fixed asset report, the City might not have the evidence it needs to document a loss claim.

Recent incidents illustrate the dangers of inadequate fixed asset and inventory records and practices:

1. In the course of a Seattle Police Department investigation, an officer observed a computer in a private residence with a City Light identification sticker. The Police subsequently found that the residents had purchased the computer through a private firm specializing in used

²⁶ City Light uses two systems for recording its fixed assets. The system used for recording fixed assets such as computer equipment is the Plant Inventory Masterfile (PIM).

²⁷ Standard Operating Procedure, P100-034, p.3

equipment. City Light, however, had not declared the computer surplus, still listed it in its inventory as a working computer, and was continuing to pay insurance for it. It was not possible to determine if the computer had been stolen from City Light.

2. In another case, last summer video cameras in the loading area of the Key Tower building caught a City employee loading computer equipment he had stolen from City Light into a car. City Light subsequently determined that this employee had stolen a total of at least 13 pieces of computer equipment, but cannot determine whether the employee stole additional equipment.

While we are concerned about City Light's management of its fixed asset system for tracking computer equipment, we note that City Light is taking steps to improve its performance in this area. For example, City Light officials have met with personnel from the Executive Services Department's Warehousing Services Section to clarify and improve surplus transfer procedures.

The State Auditor's Office and the City Risk Manager believe that departmental management of fixed assets throughout the City needs improvement and monitoring. For example, according to the City Risk Manager, the City collected about \$250,000 in insurance claims for missing computer equipment for the period April 1996 through April 1997. We will issue a letter in the near future that will describe some of the fixed assets problems facing the City. We also plan on conducting further audit work on the City's management of its fixed assets in the future.

City Light Is Improving Controls Over Computer Equipment

City Light officials said that City Light had greatly improved its documentation and procedures for computer inventory since centralizing computer procurement and inventory functions within its Information Technology Division in 1994. They explained that City Light had not tracked computers it purchased before 1994 as well as it does those purchased after that date; as a result, accounting for those machines is sometimes difficult.

Recent and planned City Light actions could also help improve the quality of its fixed asset system and the tracking of transactions involving surplus equipment.

- In mid-April 1997, City Light began using software which its Information Technology Division installed to automatically register in the department's inventory system any City Light computers using the local area network.²⁸ City Light believes this asset management program will greatly improve its tracking of computer equipment by allowing the Information Technology Division to conduct more frequent and accurate automated inventory counts.
- In December 1996, City Light's Finance Division completed a comprehensive reconciliation of its fixed asset system data on computers with the Information Technology Division's June 1996 physical inventory of computers. Furthermore, Information Technology officials said they plan to perform inventories of computer equipment twice a year.

²⁸ According to Information Technology Division officials, about 99% of City Light's 1500 computers are tied into City Light's local area network.

- During the first quarter of 1998, City Light's Finance Division plans to review and update its policies and procedures for surplus equipment and to distribute the revised versions to all relevant department offices.
- City Light officials stated that as of August 1997, the Information Technology Division had begun to use e-mail to notify the Executive Services Department's Warehousing Services Section and City Light Accounting whenever City Light has surplus computer equipment ready for disposal. The officials said that by promptly alerting City Light Accounting of surplus actions, City Light's fixed asset records could be quickly adjusted to ensure their accuracy. Moreover, City Light also sends a list by fax to Warehousing Services that describes the exact number and type of surplus items that it wants to transfer to the Executive Services Department.
- City Light now requires the signatures of two staff managers from different City Light units to authorize any surplus computer equipment transaction. Previously, only one signature was required.
- City Light officials stated that they are installing a card key system to monitor and better control the individuals who enter its computer equipment storage and repair areas.

Action Plan Regarding City Light

City Light should continue improving its controls over computer equipment by carrying out the Action Plan which it developed with our office. The Action Plan is designed to improve both physical controls over City Light's computer equipment and accounting controls over its transactions involving surplus computers, including the accurate updating of its fixed asset system. City Light officials said that they are committed to implementing the Action Plan. The Plan contains the following steps:

1. City Light will conduct an annual inventory and reconciliation of all of its computer equipment that will be completed by the end of December of each year. Using its recently installed computer asset management system, City Light will conduct an automated as well as a physical inventory of the equipment. The first such inventory will be completed by December 31, 1997.
2. City Light will update, revise and distribute its surplus policies and procedures. The policies and procedures will include a requirement that City Light conduct a physical inventory of computer equipment at least annually and reconcile these physical inventories to City Light's fixed asset and surplus property records. City Light expects that its Finance Division will complete the revision of the surplus policies and procedures by March 31, 1998.
3. City Light will place its revised and updated surplus procedures on its InWeb site within 30 days of the Finance Division's completion of step 2.
4. City Light will install a card key system to monitor and control access to its computer storage and repair rooms by the end of December 1997.

5. To help prevent misunderstandings with the Executive Services Department about surplus items, City Light will implement immediately a change in its procedure for transferring surplus equipment to the Executive Services Department. The new procedure requires that before City Light releases any surplus items to the Executive Services Department, Executive Services Department personnel collecting the items must sign a document prepared by City Light acknowledging receipt of all surplus assets listed on the document.

Chapter 4

Citywide and Departmental Policies and Procedures for Disposing of Surplus Equipment Should Be Strengthened and Better Management Data Collected and Reported

The City can strengthen its policies and procedures for disposing of surplus equipment. During our audit, the Executive Services Department revised the badly out-of-date Citywide policies and procedures for surplus equipment. However, similar policies and procedures are generally either out-of-date or non-existent at the department level. More importantly, the Executive Services Department could manage its Warehousing Services operation more effectively if it collected key data which would allow it to strategically manage the operation and strengthen controls.

Citywide Policies and Procedures Recently Updated.

In August 1997, the Executive Services Department issued new Citywide policies and procedures for disposing of surplus property.²⁹ The Department had to revise the City's surplus rules because various reorganizations in City government made the existing procedures,³⁰ which had not been updated for over 14 years, irrelevant and unclear. For example, the outdated procedure refers to the City Purchasing Agent of the Executive Department's Division of Purchases as the exclusive agent for disposing of surplus property although the City Purchasing Division lost its surplus disposal authority in 1991. Warehousing Services officials said that, because of the outdated official guidance, they had developed informal guidelines and procedures for processing surplus City property, which they had shared with other departments.

Many Departments Need Up-to-Date Written Policies and Procedures.

The prior and current Citywide standards for disposing of surplus property require that all City departments establish internal procedures and guidelines for the declaring and disposing of surplus property. Without such guidance, departmental staff may fail to process surplus property appropriately. Officials from 10 of the 15 departments contacted said that their organizations did not have written internal procedures for disposing of surplus property. Other departments' surplus policies and procedures were often out-of-date. Without up-to-date, accurate written policies and procedures, City departments may fail to process their surplus property through the Executive Services Department or otherwise fail to adhere to City or State laws governing surplus disposal.

²⁹ Executive Services Department Rule 97-1 regarding disposition of surplus materials, supplies and equipment other than real property, effective July 21, 1997.

³⁰ Standard Operating Procedure P100-034

Collecting Key Data Could Enhance Warehousing Services' Operations

Warehousing Services does not maintain the necessary data to support strategic management or appropriate management controls over the disposition of surplus equipment. Warehousing Services officials did not have reports showing how much and what types of computer equipment had been declared surplus or sold since Warehousing Services assumed responsibility for the City's surplus program. They also did not have readily available information regarding the amount of surplus computer equipment Warehousing Services placed on pallets for sale or the revenues Warehousing Services earned from the sale of surplus computer equipment for 1994 and 1995. As part of an analysis about whether it should revise the rates it charges for handling surplus equipment, Warehousing Services did compile information on the revenue it generated from surplus computer equipment sales during 1996.

Warehousing Services officials also do not monitor the time required to dispose of surplus computer equipment. The Executive Services Department has not required Warehousing Services to produce periodic reports that provide summary data on its surplus program other than monthly reports on the revenues earned from the sale of all surplus City property (for example, regular periodic reports on the average time to process or dispose of computer equipment or the types and numbers of computers received or sold each month). A Department official, however, stated that Warehousing Services plans to produce monthly revenue reports broken down by commodity categories.

Currently, Warehousing Services does not have the software to allow it to quickly and easily prepare summary reports on its surplus activities for the Executive Services Department. For example, Warehousing Services cannot use its present software to determine the average amount of time it takes to sell surplus computer equipment or what portion of its sales went to non-profit organizations or other governmental agencies. It can gather such information only by manually searching through warehouse files. However, during our audit, Warehousing Services officials said that the Executive Services Department had ordered new software for the warehouse that should be able to quickly produce such summary reports. The officials said they hoped that Warehousing Services could begin using the new software by January 1, 1998.

Some of the reports and controls used by large local surplus operations might be useful for the City to adopt.

- The Microsoft unit responsible for handling surplus computer equipment reports monthly to Microsoft management not only on revenues from surplus sales but also on the number of computers redistributed within the company and on the company's total inbound and total outbound computer equipment. The head of this unit stated that his unit currently does not track the amount of time that surplus computer equipment is kept in storage but plans to begin using bar code stickers and computer software for this purpose. He expects this will lead to Microsoft's instituting a limit on how long Microsoft keeps a piece of surplus computer equipment in storage.
- At the Boeing Company, a computerized fixed asset system tracks all central processing units and printers from purchase to disposal. The tracking system reports on revenues from surplus

computer equipment sales and on the average number of days the retail store takes to sell a typical piece of surplus computer equipment. If this average starts to exceed 30 days, Boeing considers temporary price reduction or other ways of facilitating sales.³¹

- The manager of the State's surplus facility regularly prepares a monthly report that compares the revenues to the expenses for various types of surplus sales activities (for example, sales of items grouped on pallets versus items sold individually). His goal is to ensure that revenues equal or exceed expenses for every type of activity. He said the State produces this information to ensure that revenues in one activity are not subsidizing losses incurred in another category. Although the State does not analyze surplus computer equipment sales as a separate category, Seattle could use this method of analysis to compare the costs and benefits of computer equipment sales with other surplus commodity categories.

Recommendations For Improving Management Controls

The following actions are needed to improve controls over the disposition of surplus computer equipment:

1. All City departments without up-to-date written policies and procedures for surplus property should develop or update them as soon as possible and distribute them to all appropriate employees.
 - a) Departments particularly need to communicate formally to their employees the need to process such surplus items as computers through the Executive Services Department. The departments' surplus policies and procedures do not need to be lengthy; in some departments, it may only be necessary to identify the department official or office that is responsible for surplus transactions and then make reference to the Citywide surplus rule recently issued by the Executive Services Department.³²
 - b) Each City department should include in its policies and procedures a requirement for at least an annual physical inventory of computer equipment and a reconciliation of this inventory to the department's fixed asset records. This will help to ensure that departments make proper adjustments to their accounting records for surplus, stolen, or lost computer equipment and that the City pays for an appropriate amount of insurance for this equipment.
 - c) The Executive Services Department and other City departments that are currently on or are planning to be on the City's internal web site (InWeb) should make their surplus policies and procedures available on InWeb as soon as possible. The most efficient way to use the InWeb for this purpose would be if City departments with

³¹ Boeing officials said that their company sells surplus computer equipment to the general public through its retail store in Kent after trying to find alternative uses for it within Boeing and considering charitable donations.

³² Executive Services Department Rule 97-1 regarding disposition of surplus materials, supplies and equipment other than real property, effective July 21, 1997.

InWeb sites included a link from their sites to an Executive Services Department InWeb site that contained the Citywide surplus rules.

2. The Executive Services Department should require that Warehousing Services use its new software to compile and provide more detailed information in its monthly reports on the City's surplus program activities.
 - a) The reports should provide, at a minimum, summary data regarding revenues, expenses, number and type of computer equipment received and sold, type of sale (individual or pallet), average number of days required before items were sold or otherwise disposed of, average number of days between receipt of computer equipment in the warehouse and it being made available for sale, type of buyer (for example, City department, other government, non-profit, private business), and amount of discounts from initial pricing.
 - b) The Executive Services Department should use this information to more actively manage Warehousing Services' operations. If compiling and entering the data to run this new software will require additional time, Warehousing Services may consider reducing the days or hours its facility is open for sales. For example, in contrast to the City's five-day per week policy, the State's surplus operations are open for sales only two days per week.

Chapter 5

Conclusion and Matters for Additional Consideration

Conclusion

The number of computers the City has declared surplus has steadily increased, from 236 (CPUs) in 1994 to 640 in 1996. This rate will probably increase to between 1,500-2,000 annually as the total number of computer users in the City continues to rise and as the City strives to standardize and rationalize its computer purchasing and updating. Up to now, the City has relied on an informal surplus operation that has put a premium on quickly getting computers out of departments and has placed little emphasis on management processes. Considering the relatively small number and quality of computers the City has designated to date as surplus, this may have been appropriate. However, as the number of computers the City declares surplus will continue to increase, as will the quality of those computers, the City should now take steps to improve its surplus operations. We believe by adopting the following recommendations (which were also listed in their respective chapters), the City of Seattle could at relatively little expense increase the value of its surplus computer equipment.

Recommendations To Use Surplus Computers Strategically

1. The Chief Technology Officer should review, and, as needed, update the City's computer hardware standard at least annually so that Warehousing Services has an up-to-date basis for determining what surplus computer equipment is still useful to City departments.
2. Warehousing Services should design a form whereby City departments can periodically inform both Warehousing Services and the Chief Technology Officer of their needs for surplus computer equipment.
3. The Executive Services Department should assign the Chief Technology Officer formal responsibility for "finding a good home" within City government for surplus computer equipment that meets the City's hardware standard. The Chief Technology Officer should also ensure that such equipment is not made available for sale or other transfer to non-City entities until he or she confirms that there is not a more advantageous use of the equipment.
4. The Executive Services Department should require Warehousing Services to inform the Chief Technology Officer immediately whenever a department declares computer equipment surplus. The Chief Technology Officer can then use this information to oversee a "match making" process whereby departments obtain surplus equipment they need. The City should also require departments to periodically make their computer technology needs known to the Chief Technology Officer so that he or she can perform this "match making" service.
5. Warehousing Services should frequently and regularly e-mail notices of available surplus computer equipment meeting the City's hardware standard to a pre-established mailing list that includes the Chief Technology Officer and both the surplus property coordinators and

computer procurement/network administrators of City agencies. By using the City's e-mail system, the City could establish a "real time" surplus disposal service in which surplus computers in good working condition could pass directly from one department to another without having to go to Warehousing Services.³³

6. Warehousing Services should continue to use its internal City InWeb site to provide a readily available general description of the types and prices of available surplus computer equipment meeting the City's hardware standard. In addition, the Executive Services Department should allocate sufficient resources to permit Warehousing Services to keep the web site up-to-date and should establish guidelines for the frequency with which Warehousing Services updates the information on surplus computer equipment on its web site.
7. After City departments have had an opportunity to obtain surplus computer equipment which Warehousing Services has advertised internally, Warehousing Services should frequently and regularly e-mail notices of available surplus computer equipment to a pre-established mailing list of other governments and private, non-profit agencies. Warehousing Services should expand its Internet web site to provide a regularly updated general description of the types and prices of available surplus computer equipment.
8. The City Council and the Executive Services Department should consider exploring with the Law Department the circumstances under which non-cash transfers of surplus computer equipment could occur within the City, to other governmental bodies (for example, the Seattle School District), and to private non-profit organizations that serve the City's needs. In this regard, consideration should be given to the services or other benefits that may be exchanged for surplus computer equipment. If such non-cash transfers were possible, the Executive Services Department, in measuring Warehousing Services' disposal achievements and comparing them to disposal costs, should develop a method to credit Warehousing Services for the value of any equipment it transfers on a non-cash basis.

Action Plan for City Light

City Light should continue improving its controls over computer equipment by carrying out the Action Plan which it developed with our office. The Action Plan is designed to improve both physical controls over City Light's computer equipment and accounting controls over its transactions involving surplus computers, including the accurate updating of its fixed asset system. City Light officials said that they are committed to implementing the Action Plan. The Plan contains the following steps:

1. City Light will conduct an annual inventory and reconciliation of all of its computer equipment that will be completed by the end of December of each year. Using its recently installed computer asset management system, City Light will conduct an automated as well as a physical inventory of the equipment. The first such inventory will be completed by December 31, 1997.

³³ Under such a scenario, any inappropriate information or software would need to be cleaned off the hard drive of a computer being transferred from one department to another.

2. City Light will update, revise and distribute its surplus policies and procedures. The policies and procedures will include a requirement that City Light conduct a physical inventory of computer equipment at least annually and reconcile these physical inventories to City Light's fixed asset and surplus property records. City Light expects that its Finance Division will complete the revision of the surplus policies and procedures by March 31, 1998.
3. City Light will place its revised and updated surplus procedures on its InWeb site within 30 days of the Finance Division's completion of step 2.
4. City Light will install a card key system to monitor and control access to its computer storage and repair rooms by the end of December 1997.
5. To help prevent misunderstandings with the Executive Services Department about surplus items, City Light will implement immediately a change in its procedure for transferring surplus equipment to the Executive Services Department. The new procedure requires that before City Light releases any surplus items to the Executive Services Department, Executive Services Department personnel collecting the items must sign a document prepared by City Light acknowledging receipt of all surplus assets listed on the document.

Recommendations For Improving Management Controls

1. All City departments without up-to-date written policies and procedures for surplus property should develop or update them as soon as possible and distribute them to all appropriate employees.
 - a) Departments particularly need to communicate formally to their employees the need to process such surplus items as computers through the Executive Services Department. The departments' surplus policies and procedures do not need to be lengthy; in some departments, it may only be necessary to identify the department official or office that is responsible for surplus transactions and then make reference to the Citywide surplus rule recently issued by the Executive Services Department.
 - b) Each City department should include in its policies and procedures a requirement for at least an annual physical inventory of computer equipment and a reconciliation of this inventory to the department's fixed asset records. This will help to ensure that departments make proper adjustments to their accounting records for surplus, stolen, or lost computer equipment and that the City pays for an appropriate amount of insurance for this equipment.
 - c) The Executive Services Department and other City departments that are currently on or are planning to be on the City's internal web site (InWeb) should make their surplus policies and procedures available on InWeb as soon as possible. The most efficient way to use the InWeb for this purpose would be if City departments with InWeb sites included a link from their sites to an Executive Services Department InWeb site that contained the Citywide surplus rules.

2. The Executive Services Department should require that Warehousing Services use its new software to compile and provide more detailed information in its monthly reports on the City's surplus program activities.
 - a) The reports should provide, at a minimum, summary data regarding revenues, expenses, number and type of computer equipment received and sold, type of sale (individual or pallet), average number of days required before items were sold or otherwise disposed of, average number of days between the receipt of computer equipment in the warehouse and it being made available for sale, type of buyer (for example, City department, other government, non-profit, private business), and amount of discounts from initial pricing.
 - b) The Executive Services Department should use this information to more actively manage Warehousing Services' operations. If inputting data to run this new software will require additional time, Warehousing Services may consider reducing the days or hours its facility is open for sales. For example, in contrast to the City's five-day per week policy, the State's surplus operations are open for sales only two days per week.

MATTERS FOR ADDITIONAL CONSIDERATION

Two issues which we did not address in this review, but which we believe are worthy of future study by the Executive Services Department are

- contracting out the disposal of surplus computer equipment. A Microsoft official told us that Microsoft is considering contracting all of its surplus computer equipment functions to a firm that specializes in this area.
- leasing rather than buying computer equipment. A Microsoft official noted that a growing number of organizations are leasing rather than buying computer equipment. These organizations believe that leasing is more cost-effective. Currently, Microsoft's position on leasing is neutral because a recent internal study concluded that leasing does not provide any advantage over purchasing and in some cases results in higher costs, primarily because the groups studied used the computer equipment for the relatively short period of about 18 months. Increasing the leasing period would, however, reduce leasing costs and might make it an attractive alternative to buying. Furthermore, leasing would eliminate the need for disposing of surplus computer equipment. The City, which keeps computers for a longer period, may find leasing cost-effective.

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**Executive Services Department Revenue
From Sales of Personal Computers**

The following table, which we compiled from records of the Executive Services Department's Warehousing Services Section, shows ranges of revenue Warehousing Services received from selling various types of surplus personal computers from January 1994 through May 1997.

Price	\$0-\$50	\$51-\$100	\$101-\$150	\$151-\$200	\$201-\$250	\$251-\$300	\$301-\$350	\$351-\$400	
Type of surplus computer sold									Total
8088	46	2	1	0	0	0	0	0	49
286	64	12	19	2	2	0	0	0	99
386	148	166	213	117	28	20	9	1	702
486	3	0	7	23	5	22	0	0	60
Other computers	29	6	8	5	1	0	0	1	50
Total	290	186	248	147	36	42	9	2	960

Department Surplus Computer Equipment Data for the Years 1994-97

The following tables, which we compiled from Warehousing Services records, provide details on the number and types of computer equipment that were declared surplus by City departments from 1994 to May 1997.³⁴

Total: All Departments

Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	106	79	35	0	16	236	325	136	11	2	8	157
1995	37	137	268	1	34	477	391	129	13	4	10	156
1996	30	187	341	41	41	640	521	115	17	5	23	160
1997	1	22	69	5	6	103	90	8	7	1	4	20
Total:	174	425	713	47	97	1,456	1,327	388	48	12	45	493

Public Safety

Fire Department												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	3					3	8		1			1
1995		1				1	1					0
1996			40			40	40					0
1997			1			1	1					0
Total:	3	1	41	0	0	45	50	0	1	0	0	1

Municipal Court												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994		4				4	1	9				9
1995						0	2	8				8
1996	3		5			8	10	3	1			4
1997						0						0
Total:	3	4	5	0	0	12	13	20	1	0	0	21

Police Department												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	11	10				21	20	15				15
1995	3	14	7		8	32	50	30	3			33
1996		2	12		8	22	21	9	1		2	12
1997						0						0
Total:	14	26	19	0	16	75	91	54	4	0	2	60

³⁴ This addendum does not provide information about the Seattle Public Library's disposition of surplus computer equipment. An August 1997 Library memo stated that since 1995 Warehousing Services had sold surplus computer equipment from the Library for a total of \$391. Warehousing Services sold the equipment in lots rather than individual pieces because it was older equipment of little value.

Department Surplus Computer Equipment Data for the Years 1994-97

Public Safety/Civil Service Commission												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994						0						0
1995						0						0
1996						0	1					0
1997						0						0
Total:	0	0	0	0	0	0	1	0	0	0	0	0

Development, Neighborhoods and Planning

Construction and Land Use												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	4	12	1			17	23	6	3		6	15
1995						0		1				1
1996						0						0
1997						0						0
Total:	4	12	1	0	0	17	23	7	3	0	6	16

Neighborhoods												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994		1			2	3	5	5			1	6
1995						0						0
1996	1		12			13	12					0
1997						0						0
Total:	1	1	12	0	2	16	17	5	0	0	1	6

Health, Human Services and Recreation

Arts Commission												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994						0						0
1995			1			1		1				1
1996						0						0
1997						0						0
Total:	0	0	1	0	0	1	0	1	0	0	0	1

Housing and Human Services												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994						0						0
1995					2	2					2	2
1996						0						0
1997						0						0
Total:	0	0	0	0	2	2	0	0	0	0	2	2

Department Surplus Computer Equipment Data for the Years 1994-97

Human Rights												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994						0						0
1995		4				4					2	2
1996						0						0
1997						0						0
Total:	0	4	0	0	0	4	0	0	0	0	2	2

Parks and Recreation												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994						0	7					0
1995	6	9				15	7	1	1			2
1996		7	1		10	18	23	2				2
1997						0		2			1	3
Total:	6	16	1	0	10	33	37	5	1	0	1	7

Seattle Center												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	26	6				32	33	23				23
1995	3	11	4			18	36	2				2
1996	1					1		2	1			3
1997						0						0
Total:	30	17	4	0	0	51	69	27	1	0	0	28

Utilities and Transportation

City Light												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	18	15				33	48	16	1			17
1995	17	44	34		6	101	43	17	1	2		20
1996	14	34	130	15	1	194	210	29		3		32
1997		16	47	4	6	73	79	1	2	1		4
Total:	49	109	211	19	13	401	380	63	4	6	0	73

Engineering												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	6	17	16			39	51	8	2		1	11
1995	1	18	62		8	89	77	33	5			38
1996		13	46	2	2	63	64	16	1		1	18
1997	1	4	13	1		19	5	2	3			5
Total:	8	52	137	3	10	210	197	59	11	0	2	72

Department Surplus Computer Equipment Data for the Years 1994-97

Water												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	17	2				19	21	13	1	1		15
1995	2	4				6	6	3				3
1996	1	108				109		11				11
1997						0						0
Total:	20	114	0	0	0	134	27	27	1	1	0	29

Administration and General Government

Administrative Services												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	2	1	2		5	10	12	25	2	1		28
1995	3	8	3	1	10	25	35	17			6	23
1996	6	18	24	3	16	67	51	21	4	1	4	30
1997						0		1				1
Total:	11	27	29	4	31	102	98	64	6	2	10	82

Ethics and Elections												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994						0						0
1995						0						0
1996						0			1		1	2
1997						0						0
Total:	0	0	0	0	0	0	0	0	1	0	1	2

Executive Services												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994						0						0
1995						0		1				1
1996			9			9						0
1997		2	8			10	5	2	2		3	7
Total:	0	2	17	0	0	19	5	3	2	0	3	8

“Executive”												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994						0		1				1
1995			12			12	5			1		1
1996						0	2					0
1997						0						0
Total:	0	0	12	0	0	12	7	1	0	1	0	2

Department Surplus Computer Equipment Data for the Years 1994-97

Finance												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	17	4				21	28	10				10
1995	2	6	29			37	19	3	1	1		5
1996			23	2	3	28	47	9	5			14
1997						0						0
Total:	19	10	52	2	3	86	94	22	6	1	0	29

Hearing Examiner												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994						0						0
1995						0		1				1
1996			6			6						0
1997						0						0
Total:	0	0	6	0	0	6	0	1	0	0	0	1

Law												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994	2					2	14	3				3
1995		1	69			70	70	3				3
1996	3	1	4			8	15	6			15	21
1997						0						0
Total:	5	2	73	0	0	80	99	12	0	0	15	27

Legislative												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994						0	17					0
1995						0	1	1				1
1996		4	3	1	1	9	4	2	1			3
1997						0						0
Total:	0	4	3	1	1	9	22	3	1	0	0	4

Management and Planning[†]												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994					9	9	14		1			1
1995		17	28			45	4	1				1
1996			10			10	7		1	1		2
1997						0						0
Total:	0	17	38	0	9	64	25	1	2	1	0	4

Department Surplus Computer Equipment Data for the Years 1994-97

Mayor's Office												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994			13			13	13					0
1995						0	20	5				5
1996	1		5	18		24	8					0
1997						0						0
Total:	1	0	18	18	0	37	41	5	0	0	0	5

Personnel												
Computers							Monitors	Printers				
	8088	286	386	486	Other	Total		Dot-Matrix	Laser	Plotter	Other	Total
1994		7	3			10	10	2				2
1995			19			19	15	1	2			3
1996			11			11	6	5	1			6
1997						0						0
Total:	0	7	33	0	0	40	31	8	3	0	0	11

ADDENDUM C:
Executive Services Department Response to Our Audit Report



City of Seattle

Norman B. Rice, Mayor

Executive Services Department
Dwight D. Dively, Director

MEMORANDUM

DATE: December 5, 1997

TO: David G. Jones
Office of City Auditor

FROM: Rodrick C. Brandon, Director of Contracting Services
Executive Services Department

SUBJECT: Request for formal written comments on Surplus Computer Report

Thank you for the opportunity to review your report on the City's management of its surplus computer equipment. We appreciate the information you have gathered and your ideas for policy and programmatic changes. We have already implemented a number of the recommendations that were identified in your report. Items 4, 5, and 6 under "Recommendations To Use Surplus Computer Strategically" have all been addressed. Additionally, we plan to continue and enhance our efforts in the following areas:

- We are working with the Technology Division to develop a better method of matching surplus computer equipment with the needs of departments. At this time, 100% of the computers which meet the current City standard to operate in our LAN/communications environment are placed with other City departments.
- We have enhanced the presentation of the Surplus Program on the City's InWeb to provide departments with listings showing available computer equipment. These listings are updated weekly so that departments have the most current information.
- We are addressing the need to improve our Division-wide data management. We are currently involved in a data modeling project to better identify what information is important to us, as well as a method for capturing that data. Additionally the Warehousing Services Section recently purchased a new software package that will provide us with the tools to better track information.

Contracting Services Division, 700 Third Avenue, Room 910, Seattle, WA 98104-1808

Tel. (206) 684-0444, TDD: (206) 233-7810, FAX: (206) 233-5155, <http://www.ci.seattle.wa.us>

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- In addition to the standard operating procedures (SOPs) that we have developed, we will be preparing some general guidelines for departments to follow in developing internal procedures so that they are consistent with City policy and procedures. We are continuing to explore creative ways for enhancing utilization of City surplus equipment by public sector agencies and nonprofit organizations while still complying with State and City legal requirements. We cannot at this time provide details on how City computer equipment would be made available for placement with public sector agencies or nonprofit organizations which parallel or enhance City goals, because we have specific concerns that would need to be resolved before such a program is implemented.

For example, in developing workable policies and definitions regarding "mutual off-setting benefits" (MOBs), the City would need to develop a structure for evaluating the financial implications of MOBs beyond the traditional cost-recovery methodology. As you may know, one of the impacts MOBs would likely present is a reduction in those revenues designed to cover program costs, so it will be important to define criteria for making decisions to place equipment with public sector agencies or nonprofit organizations under these conditions. We are currently considering whether the City's surplus systems could be made flexible enough to allow these steps, and whether the implementation of such steps would be consistent with the City's mission and priorities. In the event new policies are developed, it would be our intention to codify them within our internal operating procedures, and make the information available to City departments as well.

While we do recognize the need for continuous improvement, we also believe our surplus program is well-geared to responding to customer needs as well as practical operational considerations. For example, in surplus computers, our goal is to find homes, within the City, for all surplus computers provided they meet an operational standard that is constantly advancing. The vast majority of computer equipment that is surplus is outdated and/or nonstandard, and thus not economically practical to upgrade. The value of such equipment rapidly diminishes, so we continue to believe that it is particularly important to process and dispose of this equipment quickly.

Lastly, although your report focused on the surplus of computers, we would like it noted that the Surplus Property Program processes a wide array of goods ranging from City lamp posts, to desks and file cabinets, to the enormous dinosaur topiary formerly on the Seattle Center grounds. Our mission is to remove goods that are surplus to departments' needs as expediently and efficiently as possible. As a cost-recovery operation, we respond as quickly as we can to customer requests, and price goods to both recover our costs and minimize City expenses; further, we balance these primary goals with the aim of essentially finding "good homes" for surplus equipment.

In closing, we appreciate the depth of information provided, and are in overall concurrence with the report's recommendations. The contributions of the Office of the City Auditor will be put to good use in the coming months; we would also like to emphasize that our operation of the City's surplus

Brandon/Jones
Surplus Computer Equipment Report
December 5, 1997
Page 3

property program must continue to attempt to balance a range of competing interests; *e.g.*, the desire for cost-recovery against the desire to place City surplus equipment with nonprofit organizations. It will not be possible to reconcile all concerns at all levels, but we are certain that the incorporation of the report's recommendations will be of great benefit, and will provide a sound basis for ongoing self-review and improvement.

Again, thank you for your analysis and recommendations.

cc: Pat Miller, Warehousing Services Section
Dwight Dively, ESD Director
Ken Nakatsu, ESD Deputy Director
Judy Bunnell, OMP

**ADDENDUM D:
City Light Response to Our Audit Report**

**Seattle
City Light**

Memorandum



Date: December 5, 1997

To: David G. Jones
Office of the City Auditor

From: John M. Anthony, Director,
Information Technology

Subject: Surplus Computers Report

Thank you for the opportunity to review your final draft of the City Auditor's Surplus Computers Report. I also appreciate your review of the Action Plan we developed in conjunction with your audit.

I agree with much of what you've written, particularly your recommendations on how to strengthen and improve the City's system for handling surplus equipment. Improving the procedures to make it easier for us to maintain better accountability for our equipment and less cumbersome when it becomes time to surplus it will be a real plus. As you know from your discussions with our staff, this is one of the places where we've made improvements over the last two years, with many of the improvements occurring prior to this audit. Our present action plan shows our commitment to continued attention and improvements.

Your ideas on options to help make sure we find a good second life for our surplus are very important. In 1995 when we were struggling to surplus our very old equipment (286 and 386SX CPU based systems) in preparation for our move to the Key Tower and the acquisition of modern equipment, I made one of those "good intentions" decisions that was perhaps too expedient. Without taking the time to sort out the existing surplussing system, I made arrangements with several of the City's General Fund agencies and two other agencies with whom we work for them to use our old equipment. These arrangements then had to be converted to written loan agreements, or in some instances, surplus purchase transactions, to avoid the problems associated with outright donations. Rather than saving time and expense, my shortcut solution for equipment reuse *probably added some!*

On page 3 of your report, I believe there is a statement that needs better explanation. In the next to last paragraph you note that there were

inconsistencies in our records and opportunities for computers to be misappropriated without detection by the City's management systems. I agree that those have been problems in the past, but as you are aware this is a problem that we have been working to fix, both with the Executive Services Department (ESD) and with our accounting staff so that we can make sure that our fixed assets records accurately reflect our current inventory, and so that we have good accountability, both internally and with ESD for the equipment we do surplus.

I think that it's important to note that much of our equipment that was being surplussed were our oldest computers and peripherals, well outdated in terms of our current standards. Nine of the thirty items in your sample group were so old or dilapidated that ESD sold them for parts or scrap. Of the ten items from your sample that ESD had sold as of early this year, the average sale price was slightly more than \$100.

See
Addendum E
Item 1.

On page 15 of your report you indicate that we could not find the appropriate records for some of the transactions you tested or that there were inconsistencies in the records between departments. We have records within our division for all thirty of the transactions that you tested.

See
Addendum E
Item 2.

In this same paragraph of your report, you recognize that we are improving our processes. I would appreciate it if you would elaborate and note that we complied with DAS surplussing procedures once we were informed of the need to and that we made the following additional changes prior to this audit:

- We met with ESD warehouse personnel to clarify and improve operating procedures.
- We developed a detailed spreadsheet that itemized all surplus items and faxed this information along with the City standard asset sheet to ESD to help improve accountability.
- We consolidated the surplus responsibility for IT equipment and improved *accountability by requiring two signatures before items were sent to ESD.*

Additionally, we have been working with our accounting staff to bring all of our records up to date so that our fixed asset system would reconcile against our current inventory.

See
Addendum E
Item 3.

In the last sentence of paragraph two on page 15, you draw attention to the fact that the some of the surplus computers were idle for over a year. It is not clear

David G. Jones
Surplus Computers Report
December 5, 1997
Page 3

what the conclusions are that you want the reader to draw from this given that *this was some of our oldest equipment, least likely to be useable by others in a business environment, and with some of the lowest fair market value.*

The language on page 16 relating to our unprecedented move to the Key Tower could use some context. The move involved installation or transfer (from the City Light building to Key Tower) of over 2,000 CPUs, monitors, network servers, and printers. During that time, moreover, only one workstation was lost, and thanks to the good records we kept, this was replaced by the moving company we had hired.

There are three reasons that we were surplussing the old equipment as quickly as we could:

1. This was old equipment that did not support the modern computing environment that recent Citywide standards are establishing. These were '286 or '386SX based systems for the most part with limited RAM and low-end hard drives that were not cost effective to upgrade.
2. We wanted to minimize downtime for end users by having new equipment ready for them when they moved to Key Tower. The alternative would have been to hook-up old equipment at Key Tower, only to remove it shortly thereafter in order to replace it. This would have resulted in further cost and delay in getting staff ready to work.
3. The maintenance and operations costs for the real hodge podge of equipment we had on the desktop, given multiple generations of processors and many different vendors, was pretty high. The development and implementation of a desktop standard has helped improve performance and productivity and reduce our costs.

David, thanks again for the opportunity to comment on your report. And thanks for your comprehensive approach with recommendations that will hopefully improve our overall asset management and surplus sales program.

cc: Jim Ritch; Deputy Superintendent
Mike Melnyk; Manager, Information Technology Division

Addendum E
Office of City Auditor's Comments on City Light's Memorandum

The following are the Office of City Auditor's comments on City Light's memorandum dated December 5, 1997 (See Addendum D).

1. As explained in chapter 3, the Executive Services Department and City Light could not find copies of the Surplus Property Release forms that are used to provide formal notification to Warehousing Services of available surplus items. Furthermore, our concern was with the accuracy and completeness of all of City Light's internal records for the surplus items we tested rather than only those in one division.
2. We revised the last sentence in the first paragraph of chapter 3 to indicate that City Light took certain actions before we began our audit.
3. Because most of the computer equipment provided to PAN and Fleet Services was not needed by those organizations, we believe that the equipment should have been promptly returned to City Light and sent to Warehousing Services for disposal rather than remaining in storage for over a year. According to Warehousing Services officials and representatives of private firms specializing in the sale of used computer equipment, used computer equipment should be transferred to someone who can make good use of it or put up for sale as soon as possible because its utility and economic value diminishes rapidly with the passage of time and attendant advances in computer technology.

Office of City Auditor Report Evaluation Form

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Your feedback helps us do a better job. If you could please take a few minutes to fill out the following information for us, it will help us assess and improve our work.

* * * * *

Report: **Management of the City's Surplus Computer Equipment (December 9, 1997)**

Please rate the following elements of this report by checking the appropriate box:

	Too Little	Just Right	Too Much
Background Information			
Details			
Length of Report			
Clarity of Writing			
Potential Impact			

Suggestions for our report format: _____

Suggestions for future studies: _____

Other comments, thoughts, ideas: _____

Name (Optional): _____

Thanks for taking the time to help us.

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Call: Nora J.E. Masters, City Auditor, 233-0088

Drop by and visit: 10th Floor of the Municipal Building